



COMMONWEALTH of VIRGINIA

DEPARTMENT OF MENTAL HEALTH, MENTAL RETARDATION AND SUBSTANCE ABUSE SERVICES

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MEMORANDUM

TO: Community Services Board, Local Government Department, and Behavioral Health Authority Executive Directors
State Hospital and Training Center Directors
State Mental Health, Mental Retardation and Substance Abuse Services Board
Mental Health, Mental Retardation, and Substance Abuse Services Advocates

FROM: Paul R. Gilding
Community Contracting Director

SUBJECT: **FY 2007 Performance Contract; Central Office, State Facility, and Community Services Board Partnership Agreement; and Community Services Performance Contract General Requirements Document**

DATE: May 5, 2006

Attached for your use or information are the FY 2007 Performance Contract, Partnership Agreement, and General Requirements Document; these will be referred to as the contract documents. They are available on the Department's web site at www.dmhmrzas.virginia.gov. The Department distributed Letters of Notification and the CARS-ACCESS contract software electronically this week. Letters of Notification contain initial allocations of state and federal funds to community services boards (CSBs), behavioral health authorities, and local government departments with policy-advisory CSBs, all of which are referred to as CSBs or Boards in the contract documents and this memorandum. Due to the current 2007 budget situation, the letters contain only allocations of ongoing funds; allocations of new system transformation initiative funds will be communicated separately after the General Assembly enacts the 2007 Appropriation Act.

The attached contract documents reflect comments received during the 60-day public comment period required by § 37.2-508 of the *Code of Virginia*, the efforts of the Performance Contract Work Group established by the Department and the Virginia Association of Community Services Boards, and comments from Department staff. Given the complete rewriting of the performance contract for FY 2004 and positive reaction to the FY 2005 and FY 2006 contracts, the Department and the Performance Contract Work Group decided to avoid major revisions or changes in the FY 2007 contract, retaining the current contract in substantially the same version, except for several substantive changes and some necessary updating.

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General Changes in FY 2007 Contract Documents

The FY 2007 contract documents reflect minor changes for the most part, such as improved grammar or syntax, increased clarity, and updated references. All *Code of Virginia* references are updated to reflect the revision of Title 37.2, enacted last year. In some instances, *Code* citations are added for ease of reference. References to applicable new State Board Policies 1035, 1036, 1037, 1038, and 1040 are inserted at the appropriate places. Cities and counties replace political subdivisions. Extraneous references (e.g., “such” and “the”) are eliminated.

Generally, when substance abuse refers to the condition (i.e., a person with substance abuse or dependence), the term has been changed to substance use disorder to reflect more up-to-date terminology. When the term refers to services that treat the disorder, substance abuse has been retained. Some of the changes in the FY 2007 contract documents follow.

Performance Contract Changes

1. The Vision Statement is inserted on page 2 in section 1.g.
2. Additional substance abuse prevention requirements are inserted on page 6 in a new section 6.b.3.) e.) and on page 7 in a revised section 6.c.1.) e.).
3. Language about the Inventory of Mental Health Organizations on page 6 in section 6.c.1.) d.) is revised slightly.
4. Management expenses are deleted from the revised definition of Administrative Expenses, so “& Management” is deleted from page AF-1 (page 16) of Exhibit A. The revised definition is:

Administrative Expenses means the expenses incurred by the CSB for its administrative functions. Administrative expenses are incurred for common or joint activities that cannot be identified readily with a particular organizational activity or cost objective.

Administrative expenses may include the following functions: overall leadership and supervision of the CSB organization (e.g., expenses for the Executive Director, Deputy Director or Director of Administration, and support staff), financial management, accounting, reimbursement, procurement, human resources management, information technology services, policy development, strategic planning, resource development and acquisition, quality improvement, risk management, intergovernmental relations, Board member support, and media relations. Administrative functions and expenses may be centralized or included in programs and services, depending on the CSB’s organizational structure. However, in either alternative, administrative expenses must be identified and allocated among service costs across the three program areas on financial and service forms in the performance contract and reports, and administrative costs also must be reported separately on the Consolidated Budget Form, page AF-1, in the performance contract and reports.

5. Language to address new requirements for equal treatment for faith-based organizations, communicated in a letter from the administrator of the federal Substance Abuse and Mental Health Services Administration on November 18, 2005, is added at the bottom of page 37 in Exhibit F.
6. Language about one-time reductions of funds related to late fourth quarter reports is deleted in Exhibit E and Exhibit I.

Partnership Agreement Changes

1. Language is revised to reflect the Vision Statement articulated in State Board Policy 1036.

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2. Several references are included to co-occurring disorders, in accordance with State Board Policy 1015, for example on pages 1, 2, 3, and 4.
3. Language about evidence-based practices in item 5 on page 2 and at the top of page 4 is broadened to include best or promising practices.

General Requirements Document Changes

1. Language regarding financial management, procurement, and reimbursement reviews is added on pages 6, 7, and 8 to clarify that the Department no longer conducts these reviews routinely.
2. Language is added to section 12.a.3.) on page 11 to exempt most limited services from the requirement for reviews of ISPs.
3. Language about disaster response on page 15 is updated to reflect current practice.
4. Additional substance abuse prevention requirements are added to page 41 in items 9 and 11.

All of the contract's Exhibit A will be submitted electronically, using CARS-ACCESS software supplied by the Department. More detailed information about which parts of the contract must be submitted on paper is contained in Exhibit E of the contract, the Performance Contract Process. CARS-ACCESS also contains Table 2: FY 2007 Board Management Salary Costs, which enables CSBs and the Department to respond to requirements in § 37.2-504 of the *Code of Virginia*.

The Department is distributing FY 2007 contract documents electronically, rather than as paper copies by mail. This enables the Department to distribute these contract documents more quickly and easily and allows recipients to distribute the documents to others more rapidly and efficiently.

To be accepted for processing by the Department, a performance contract must satisfy the criteria in Exhibits E and I of the contract.

1. Exhibits A and H (first two pages) must be submitted to the Department's Office of Information Technology Services using the CARS-ACCESS software and must be complete and accurate.
2. Since the contract is being distributed electronically to CSBs, the parts of the contract that are submitted on paper should be printed, signed where necessary, and mailed to the Office of Community Contracting at the same time that Exhibits A and H are submitted. These parts include: the signature page of the contract body (page 15), the Board's current organization chart (the third page of Exhibit H); Exhibit D, if applicable, Exhibit F (two pages), the first page of Exhibit G, and the signature page of the Partnership Agreement (page 9). The second page of Exhibit G must be submitted as soon as possible and no later than the last business day in September. The Department must receive all parts of the contract that are submitted on paper before a contract submission will be considered to be complete.
3. Exhibit A must conform to the allocations of state and federal funds in the Letter of Notification enclosures, unless amounts have been revised by or changes negotiated with the Department and confirmed by the Department in writing. Revenues must equal expenses on all contract forms.

Contracts must contain actual appropriated amounts of local matching funds. If a CSB cannot include the minimum 10 percent local matching funds in its contract, it must submit a written request for a waiver of the matching funds requirement, pursuant to § 37.2-509 of the *Code of Virginia*, to the Office of Community Contracting with its contract. More information about the waiver request is contained in an attachment to this memorandum.

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The FY 2007 contract and other materials described above are due in the Department's Office of Community Contracting by **June 23, 2006**, except for Exhibits A and H (the first two pages), which are submitted to the Department's Office of Information Technology Services by that date. More detailed information about submitting Exhibits A and H (the first two pages) in CARS-ACCESS will be provided in the Performance Contract Workshops, conducted by Department staff during May.

Section 37.2-508 or 37.2-608 of the *Code of Virginia* requires that the CSB or behavioral health authority make its proposed performance contract available for public review and solicit public comment for a period of 30 days before submitting it for the approval of the operating or administrative policy CSB or behavioral health authority board of directors or the comments of the local government department's policy advisory CSB. That same *Code* section authorizes the Department to provide up to six semi-monthly payments of state and federal funds to allow sufficient time to complete public review and comment, local government approval, and Department negotiation and approval of the contract.

The Performance Contract Process (Exhibit E in the contract) automatically provides the first two semi-monthly payments to all CSBs, whether or not a contract has been submitted. The Process conditions the next four semi-monthly payments (two in August and in September) on the Department's receipt of a complete performance contract. Once a performance contract is received in the Department, the CSB's Community Contracting Administrator will review it and notify the CSB within five working days that it is or is not accepted for review by the Department. Unacceptable contracts will need to be revised before the Department will process them. For CSBs, please call or e-mail your Community Contracting Administrator if you have any questions about this package. If other recipients of this memorandum have any questions about it or the attached documents, please call me at (804) 786-4982 or e-mail me at paul.gilding@co.dmhmrsas.virginia.gov.

Enclosures (4)

PRG/prg

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	Arlene G. Good	Shirley G. Ricks	

Minimum Ten Percent Local Matching Funds Waiver Request Attachment

A Board should maintain its local matching funds at least at the same level as that shown in its FY 2006 final performance contract revision. The 2007 Appropriation Act prohibits using state funds to supplant local governmental funding for existing services. Board includes operating and administrative policy community services boards (CSBs), local government departments with policy-advisory CSBs, and behavioral health authorities.

If a Board is not able to include at least the minimum 10 percent local matching funds, required by § 37.2-509 of the *Code of Virginia* and State Board Policy 4010, in its original performance contract, any subsequent contract revision, or its annual (fourth quarter) performance contract reports, it must submit a written request for a waiver of that requirement, pursuant to § 37.2-509 of the *Code of Virginia* and State Board Policy 4010, to the Office of Community Contracting with the original or revised contract or performance contract reports.

In accordance with sections 6.d.3.), f. and g. and 7.e.3.), g, and i., if only a Board's participation in the Discharge Assistance Project (DAP), its receipt of reinvestment funds, or its participation in a regional program, as defined in Exhibit J of the contract, causes it to be out of compliance with the 10 percent local matching funds requirement in § 37.2-509 of the *Code of Virginia*, the Department will grant an automatic waiver of that requirement, related to the funds for the DAP, reinvestment program, or regional program. The Board must submit a written request for the waiver, identifying the specific amounts and types of those funds that cause it to be out of compliance with the local matching funds requirement, but without the documentation required below in items 3, 4, and 5, and the Department will approve an automatic waiver in a letter to the Board.

1. State Board Policy 4010 defines acceptable local matching funds as local government appropriations, philanthropic cash contributions from organizations and individuals, in-kind contributions of space, equipment, professional services (for which the Board would otherwise have to pay), and, in certain circumstances, interest revenue. All other revenues, including fees, federal grants, and other funds, as well as uncompensated volunteer services, are not acceptable as local matching funds.
2. Section 37.2-509 of the *Code of Virginia* states that allocations of state funds to any Board for operating expenses, including salaries and other costs, shall not exceed 90 percent of the total amount of state and local matching funds provided for these expenses. This section effectively defines the 10 percent minimum amount of local matching funds as 10 percent of the total amount of state and local matching funds.
3. The written waiver request must include an explanation of each local government's inability to provide sufficient local matching funds at this time. This written explanation could include, among other circumstances, the following factors:
 - a. an unusually high unemployment rate, compared with the statewide or regional average unemployment rate;
 - b. a decreasing tax base or declining tax revenues;
 - c. the existence of local government budget deficits; or
 - d. major unanticipated local government capital or operating expenditures (e.g., for flood damage).
4. Additionally, the waiver request must include information and documentation about the Board's efforts to obtain sufficient local matching funds. Examples of such efforts could include newspaper articles, letters from Board members to local governing bodies outlining statutory matching funds requirements, and Board resolutions.
5. Finally, the waiver request must include a copy of the Board's budget request that was submitted to each local government and a copy or description of the local government's response to the request.